

California Performance Review
San Jose State University--August 27, 2004
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I. PERFORMANCE MANAGEMENT

First, I want to thank Vice-Mayor Pat Dando and Governor Arnold Schwarzenegger for inviting me. I'm a lifelong Democrat and their invitation speaks loudly about their commitment to inclusion and bi-partisanship.

I also want to praise the Governor for dedicating his time and personal energy to reforming how government services are delivered. Performance management is seldom a formula used by candidates to win elections.

As a financial executive in private business, beginning on Wall Street and then as a partner in a San Francisco-based real estate investment and development company, results were measured in terms of profits, successful projects, more customers, and new opportunities for expansion. The public has the same expectation of their government.

And, it's achievable. I spent sixteen years as a member of the Sunnyvale City Council, including two terms as that city's Mayor. Sunnyvale truly cared about achieving results, and about holding public officials and staff accountable for their performance. Sunnyvale was open to innovation as a basic way of doing the public's business and doing it better.

Our approach to performance management in Sunnyvale back in early 1980's, centered on what citizens consider least interesting, driest policy document -- the budget. Most of the time government budgets, measure priorities by how much money is spent, not on what level of performance is expected or achieved. What we did in Sunnyvale was trend setting and rare. We made the budget a genuine policy document.

We defined service levels, in terms of quantity, quality and cost. We built service levels into the annual budget to discipline the mayor and city council, guide staff, and inform the public. We established a desired outcome and then priced its cost. If there wasn't enough money to pay for that level of service, we changed the desired service level outcome.

It was a very different approach, which triggered a culture change. When we increase spending on education we say, "Look how good we're doing!"...but we rarely measure or budget our resources on whether kids are learning or not.

For the first time, elected officials were explicitly required to define and approve the results they expected to achieve, with the limited resources available. Now, that's true policymaking.

Unfortunately California has fallen seriously behind when it comes to demanding accountability and performance. Since I support a number of the Governor's proposals, far too many to comment on in just 5 minutes, I want to focus on the big picture.

First, I have discovered that most public employees are very talented people who want to serve the public. In his book, "Reinventing Government," David Osborne described the phenomenon of good people who work in bad systems. Time and again I have come up against institutional systems, traditions, and attitudes that get in the way and block the good intentions of staff and the productive use of their skills and talent.

We need to work on getting rid of the bad systems. I would tell the Governor to focus on the recommendations that reform the systems and demand measurable performance accountability.

Next, the Governor must continually attack the existence of an overall organizational attitude pervasive in government, that change is not only not possible, but that it actually is undesirable and counter productive. Although you can hear employees in the elevator or in the cafeteria complain about idiotic rules and procedures, there is also an air of resignation – "that's the way it is and will always be." Nonsense!

Third, there is a remarkable absence of accountability based on establishing clear and practical performance objectives, and measuring and reporting results. Institutionalizing these measures and service levels directly into the budget is essential for success. In doing so, it allows employees to take reasonable risks and accept responsibility for continuous improvement.

Finally, I would urge the Governor to focus on big, sweeping changes. As the CPR report documents, pilot projects established by Governor Wilson and other attempts at piecemeal change failed. Additionally, remember that the people funding these changes are politicians, like myself, with short attention spans, so make sure there are quick "wins" and opportunities for success.

Lastly, this is very hard work!

II. CENTRALIZED ASSESSMENT OF COMMERCIAL AIRCRAFT

In my remaining time, I want to specifically focus on one change that as County Assessor and Past President of the California Assessors Association, I strongly

disagree with, CG 19, the proposal to centralize the Assessment of Commercial Aircraft.

The premise of the proposal is that “centralized assessment would potentially reduce the cost of administering the (property) tax on aircraft,” by reducing the number of filings prepared by the airline industry. That claim is patently false and is the reason this proposal stalled in the Legislature.

In Santa Clara County, 20 airlines filed 47 business property statements. Should this proposal become law, 19 airlines would file 46 statements, a reduction of only one business property statement

This is because the airlines own more than just a fleet of aircraft. Airline companies own or lease multiple offices and specialized facilities; all containing fixtures that must be locally assessed as required in the California Constitution. The fixtures in these facilities would continue to be locally assessed, requiring each company to file business property statements in each county in which they own assessable property.

This proposal has little to do with increased efficiencies and everything to do with the airline industry trying to receive a “back door” tax break at the expense of other taxpayers costing the State more money.

In fact, this proposal is probably dated, as the California Assessors’ Association in consultation with the Airline Industry is in the midst of implementing the Centralized Fleet Calculation Program to promote efficiency, accuracy and uniformity for the Assessment of commercial aircraft.

I would urge the Governor to put this proposal back on the shelf and allow Assessors to implement their Centralized Fleet Calculation Program.

With that I would be happy to take questions.